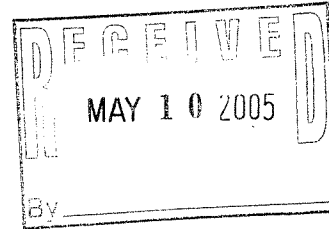




Michigan Construction Industry Mutual

May 9, 2005



Mr. Lynn Egbert, Chief Executive Officer
Michigan Association of Home Builders
1627 S. Creyts Road
Lansing, MI 48917-8546

Dear Mr. Egbert:

Michigan Construction Industry Mutual Insurance Company (MCIM) will be negatively impacted by the Governor's proposal related to House Bill No. 4476. This proposed Bill would revise the State of Michigan Single Business Tax and impact MCIM in the following ways:

- Under present law, MCIM's SBT obligation is calculated as 1.0735% of direct premiums received. The proposed legislation imposes a 2% premium tax on direct premiums written. Based on direct premiums of \$40,000,000, this is an increase of approximately \$370,000.
- The proposed legislation eliminates credits that MCIM currently receives for payments to the Property & Casualty Guaranty Association and Michigan Workers' Compensation Placement Facility. Currently, these credits reduce MCIM's SBT liability by approximately \$430,000. Eliminating these credits effectively increases MCIM's tax liability by \$430,000.
- MCIM recently began writing business in the State of Florida. The increase in the Single Business Tax rate would also result in MCIM being subject to the State of Florida's retaliatory tax. The additional burden placed on MCIM would be .25% of premiums written in the State of Florida.

The total impact of this proposed Bill on MCIM is an increase in taxes and assessments paid to the State of Michigan of approximately \$800,000. The amounts paid to the State of Michigan would increase from approximately \$430,000 to \$1,230,000. In addition, MCIM would also be subject to the State of Florida's retaliatory tax.

Please do not hesitate to contact us if you have any questions or concerns.

Sincerely,

Eleanor Powell-Yoder
President and Chief Executive Officer